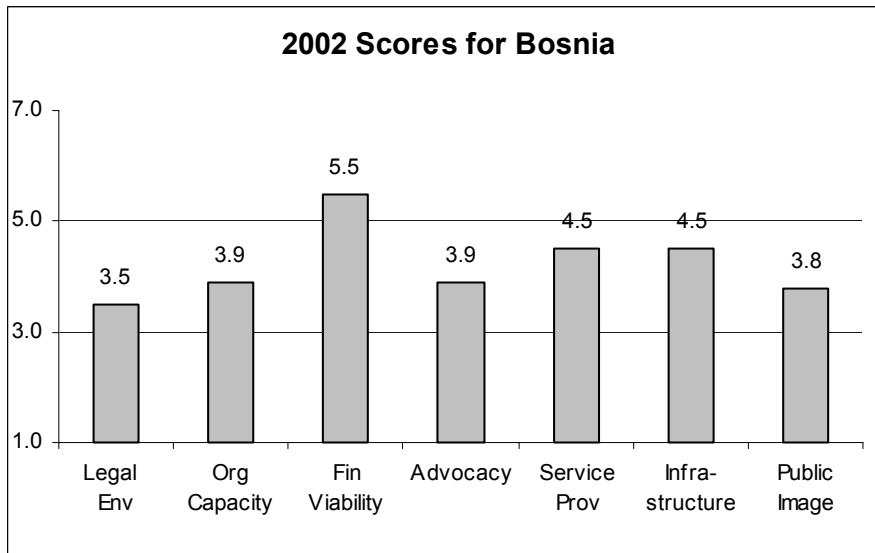


# BOSNIA AND HERZEGOVINA



**Capital:**  
Sarajevo

**Polity:**  
International protectorate

**Population:**  
3,922,205

**GDP per capita (PPP):** \$1,700

## NGO SUSTAINABILITY: 4.2

The NGO sector in Bosnia and Herzegovina (BiH) remains fractured and limited in capacity, but continues to make important

### NGO SUSTAINABILITY

2002	4.2
2001	4.5
2000	4.9
1999	5.2
1998	5.6

contributions to lasting peace and democratic governance in BiH. Civil society in BiH is going through a difficult phase of democratic development due to the

instability in both the economic and political environments. The many layers of government still do not effectively focus on real problems facing citizens. The post-conflict economy still produces only a fraction of what it did before the war. The international community, although with reduced funds, continues to play a major role in many aspects of life in BiH, which has diminished the perceived need for functioning local institutions. Citizens currently show little interest in becoming in-

involved in decision-making processes directly or through NGOs.

Local businesses are generally neither able nor motivated to invest in the non-profit sector, which makes local NGOs overly dependent on international donor funding. As international organizations have been reducing their assistance, or closing their BiH programs altogether, the non-profit sector in BiH finds itself increasingly unstable. Therefore, more advanced NGOs have begun the process of evaluating their own capacities, redefining missions and turning to other sources of funding. Many smaller NGOs are not expected to survive after international donors leave.

The lack of any tradition of civic activism, together with the difficult economic situation, has tended to make BiH citizens passive and discouraged towards engagement in political or public life. The concepts behind organized non-governmental public space, and the idea of NGOs in par-

ticular are not yet familiar to the wider public. Although the media regularly reports on NGO activities, NGOs are more often associated by the public with employment opportunities for the few rather than services or humanitarian relief for the many. This is recognized as a result of insufficient customer-orientation by local NGOs.

However, there were some positive trends noted over the previous year. A number of mission-oriented NGOs committed to a broad range of activities including human rights and media monitoring, legal advisory services, civic education, conflict resolution and micro-credit extension have emerged. New NGO legislation was passed that largely complies with interna-

tional standards, simplifies the registration process and allows NGOs registered in one entity to operate in the other entity as well. Furthermore, a core group of leading NGOs is working together to prepare a Code of Conduct for local NGOs, which will establish the preconditions for a sustainable NGO sector that responds to the needs of the community after international donors leave.

General elections, the first administered by the Bosnians, were held in October 2002 and resulted in the election of more nationalist parties than have been in power over the past few years. While it is still too early to predict the effect of the new government on the NGO sector, previous nationalist-led governments have not shown much willingness to engage in reforms.

### LEGAL ENVIRONMENT: 3.5

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A series of new NGO laws was passed in Bosnia since the 2001 NGO Sustainability Index was written. New NGO framework legislation was enacted in the Republika Srpska (RS) in October 2001, at the state level in December 2001, and in the Federation in September 2002. This new body

LEGAL ENVIRONMENT	
2002	3.5
2001	4.0
2000	4.5
1999	5.0
1998	5.0

of legislation introduces several significant improvements to the legal environment for NGOs. First, these laws permit voluntarily registration, thereby allowing an association to en-

gage in activities before it is entered into the registry. The laws also reduce the number of founders required to establish an association to only three. For the first time, the laws allow legal persons (and not only natural persons) to be founders of an association. These laws also significantly improve the registration procedure for foreign NGOs. Very significantly, the laws

permit NGOs that are registered in one Entity to freely operate in the other Entity, although NGOs registered in the RS must undergo a procedure similar to re-registration in order to operate in the Federation. The consent of the government is no longer needed to establish a foundation. Finally, the new laws give the founders and members of NGOs a great deal of flexibility in regulating their internal affairs and prescribe reasonable reporting requirements.

The registration process on the State level, however, remains inconsistent. Registration officials lack knowledge and experience in dealing with registration issues and often use discretionary power. For example, a number of umbrella organizations have been denied registration because the registration authorities ruled that they were not technically associations.

While increasing the capacity of local lawyers on NGO legal and fiscal issues remains one of the most critical issues,

some progress has nevertheless been made. For example, the Center for the Promotion of Civil Society from Sarajevo now has a full-time lawyer on staff who deals with legal and fiscal issues pertinent to NGOs. Efforts are underway to make the Center a true resource organization that will facilitate the emergence of similar centers in other parts of the Federation.

There is no tax law at the state level as this falls within the jurisdiction of the respective Entities. The Income Tax Law, which ultimately seeks to harmonize the tax system in BiH, provides for only limited tax exemptions for NGOs. For example, it does not provide any exemptions for income generated from NGOs' economic

activities. With regard to exemptions for donations, it unduly restricts the list of activities deemed for public benefit.

An NGO may generate income from the provision of goods and services. However, due to the lack of a state-level tax regime, the tax treatment of the income generated from the provisions of good and services remains unclear. NGOs may also engage directly in related economic activities, although the state-level law unduly limits income generated from a separate corporation established by an NGO to 10,000 KM or one-third of the NGO's budget, whichever amount is higher. NGOs may also compete for government contracts/procurements.

### ORGANIZATIONAL CAPACITY: 3.9

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During the previous year, there was no significant progress in regard to the devel-

#### ORGANIZATIONAL CAPACITY

2002	3.9
2001	4.0
2000	4.5
1999	4.5
1998	5.0

staff education and work according to their strategic plans. Other NGOs still do not view such organizational restructuring as a priority.

opment of organizational capacity of local NGOs. The few NGOs that have clearly defined internal structures and missions openly seek professional

Additionally, only a few NGOs have developed good management and organizational skills and capacities. Many local NGOs still function as a "one person show". The unstable financial situation, particularly the unpredictability of donor assistance, negatively influences the organizational structures of NGOs.

More advanced NGOs are attempting to address weaknesses in the sector by producing a general code of conduct for all NGOs in BiH. This idea was initiated by a group of DemNet NGOs but is still in the early phase of preparation.

## FINANCIAL VIABILITY: 5.5

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Past barriers to financial viability remain in place. The devastated and slow-to-recover

### FINANCIAL VIABILITY

2002	5.5
2001	5.7
2000	6.0
1999	6.5
1998	6.0

BiH economy, a limited pre-war tradition of philanthropy, and the lack of appropriate taxation legislation all hold back the NGO sector's financial sustainability. International donors are still the major source of funding. The business sector is generally unresponsive and weak due to the fragile economic situation.

NGOs are able to generate some revenue through alternative financing methods such as membership fees, fees-for-services, in-kind contributions and government funding. In most cases, however, such sources of funding still remain underutilized.

Furthermore, in summer 2002, the Council of Ministers dedicated \$150,000 from the state budget to assist local NGOs. While not a huge amount of money, this is an important sign that the government recognizes the significant role of non-profit organizations in BiH. Unfortunately, the process for distributing these funds has several limitations. First, funding will be made available only to organizations that are registered at the state level and have "BiH" in their name. Additionally, the selection process is unclear, and few NGOs are aware of the fund's existence.

As mentioned previously, DemNet NGO graduates are developing the Local NGO Code of Conduct which will, among other things, establish the preconditions for constructive partnerships with the government and direct contracting of NGOs for service provision.

## ADVOCACY: 3.9

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During 2002, the sector continued to demonstrate increased interest in advocacy

### ADVOCACY

2002	3.9
2001	4.2
2000	4.5
1999	5.5
1998	6.0

activities. Although the lines of communication between the decision-makers and the Third Sector are still somewhat weak, there were many initiatives in the previous

year that significantly influenced some important policy decisions. Although these ideas were in most cases initiated by international players in BiH, the advocacy campaigns were implemented by local NGOs. For example, a recent advocacy initiative focused on poverty reduction gathered local NGOs and government offi-

cials to develop a nationwide strategy on this issue.

A few large campaigns were launched before the October 2002 elections. One of them, entitled "Women Can Do It", focused on monitoring political parties. The result was an increased number of more effective women politicians and the inclusion of domestic violence laws into the Entities' criminal laws. Another pre-election campaign gathered more than 300 local NGOs and more than 6000 volunteers to serve as domestic monitors of electoral processes. A campaign launched by the Union of Invalids of BiH is starting to show results in the removal of physical barriers to public institutions.

**SERVICE PROVISION: 4.5**

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Service provision by NGOs in BiH is still undeveloped. NGOs that provide legal assistance and legal protection are still the most active in providing services, although some services are being provided in education, health care, economics and business development, and social and environmental protection.

<b>SERVICE PROVISION</b>	
2002	4.5
2001	4.2
2000	4.5
1999	5.0

The outgoing moderate government did not recognize the value of local NGOs as service providers. Unfortunately, local NGOs were somewhat passive and did not try hard enough to convince government that they have the capacity to assume some responsibility from government agencies and become a valuable partner in service provision.

**INFRASTRUCTURE: 4.5**

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The situation with intermediary support organizations (ISOs) and NGO resource centers is almost unchanged in comparison to last year. There are still no organizations that serve as information resource centers or ISOs for the entire sector. However, a few NGOs started to serve as regional resource centers assisting smaller NGOs and citizens groups in their region.

<b>INFRASTRUCTURE</b>	
2002	4.5
2001	4.8
2000	5.0
1999	5.0

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resource centers or ISOs for the entire sector. However, a few NGOs started to serve as regional resource centers assisting smaller NGOs and citizens groups in their region.

Several attempts to create ISOs in the past have failed due to a lack of interest

and the presence of competition and jealousy among NGOs. However, many issue-based networks survived and demonstrate significant capacity, including the "RING" trafficking network, STAR women's network, Youth Information Agency, and project-based networks such as "OKO", an election domestic monitoring network.

The only organization that provides informational and resource services to the NGO sector is International Council of Voluntary Agencies (ICVA), which acts as administrator for the NGO Council that gathers 75 major local and international NGOs. ICVA's major task is information dissemination.

**PUBLIC IMAGE: 3.8**

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In the last year there was increased coverage in the media of NGO activities, with most emphasis placed on the NGOs dealing with refugee returns and other social is-

<b>PUBLIC IMAGE</b>	
2002	3.8
2001	4.5
2000	5.0
1999	5.0
1998	6.0

sues. While journalists are interested in presenting positive stories on the sector, local NGOs still lack needed skills in marketing and public relations. Few NGOs understand the need to properly present their activities to citizens through the media. As a result, much of the public still does not understand the concept of NGOs.

## 2002 NGO Sustainability Index

The public image of the NGO sector improved over the past year as a result of the significant role they played in the general elections in October 2002. In particular, the domestic monitoring campaign conducted by the Center for Civic Initia-

tives (CCI), which recruited over 6,000 volunteer observers, received extensive media coverage and became familiar to a significant portion of the Bosnian population.